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General services keeps watch over state's business affairs

Agency directs California's buildings, procurement, vehicles, construction

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Dennis McCoy | Sacramento Business Journal

James Butler, left, deputy director of the Department of General Services Procurement Division, and Doug Button, Real Estate Services deputy director, stand next to the state agency's headquarters building, the Ziggurat in West Sacramento.

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Although the people under the Capitol dome set the rules for California, it's the people inside the Ziggurat building who keep it running. The landmark structure in West Sacramento is the headquarters for the state's **Department of General Services**, which describes itself as California's business manager.

More than 4,000 General Services employees manage state buildings, procure goods and services, conduct hearings, oversee the 911 emergency response system, print reams of forms and booklets, and operate a fleet of 6,900 vehicles.

Space man

Real Estate Services is the largest division within the department, operating on an annual budget of \$420 million. Officially it's charged with overseeing 22,727 state-owned buildings and structures totaling more than 210 million square feet.

Fortunately for deputy director Doug Button, his staff doesn't have to take care of every ticket booth and barn included on the master list. Most are maintained by the agencies that use them. Still, he does have charge of about 60 state-owned buildings totaling 25 million square feet, plus an additional 20 million square feet leased from the private sector.

As the seat of state government, Sacramento has a large share of the total. General Services manages about 16 million square feet in the region, split about 50-50 between state-owned and leased.

“It’s always good to have a balance,” Button said of the desire to both own and lease. For a specific market, much depends on how big a presence state government has and how it expects that to change.

“We’re going to be in Sacramento for a long time, so we have quite a bit of property that we own here,” Button said. “In certain communities we are in, we don’t have that many facilities, and sometimes the requirement for facilities changes.”

When legislation creates new programs that need to set up quickly, leasing is usually the answer. But General Services has a team of people who keep track of long-term planning to determine if buying is ultimately a better play.

Altogether, General Services manages 1,862 leases, paying more than \$370 million annual rent.

“There’s a lot of developers who love to have us in their facilities, and a lot who don’t,” Button said. One reason they might not is Title 24, the state’s energy efficiency standards for buildings. The strict rules apply to any space the state occupies, whether it’s owned or leased.

“Every time we add a requirement to our criteria, it makes it a little difficult to find facilities that meet our requirements,” Button said. The Americans with Disabilities Act is a stumbling block for some would-be landlords as well.

“Quite honestly, the private sector doesn’t focus as much on the ADA as we do, so landlords do find we require a little bit more from them,” Button said. If a building doesn’t comply, there must at least be a plan to bring it into line. Many landlords don’t even have the plan, he said.

“On the other hand, they do love us from the standpoint of paying the rent and being a good solid credit tenant that they can go out and finance,” Button said.

As for General Services’ own pyramid-shaped headquarters, Button is proud of getting a high-profile building on a relatively inexpensive sublease when it was empty.

One of General Services’ newer projects is to look over the buildings it has owned for a long time to see if they are being put to the best use.

One example involved a pair of Department of Motor Vehicles buildings in San Francisco and San Diego. Each sat on 2.5 acres of prime downtown land, Button

said. Working with the cities and the private sector, General Services offered to create new DMV buildings and mixed-use buildings on the sites.

Button also is looking at leases with purchase options to get buildings up faster and more efficiently.

Buy guy

The part of General Services that many private-sector businesses connect with is the Procurement Division. Aside from setting the basic policies and administering contracts for buying goods and services, it also sponsors the Small Business Council and certifies small business and those owned by disabled veterans.

In May, James Butler took over as the new deputy director for the Procurement Division and was named chief procurement officer. He came in from the private sector, having spent the previous five years as director of procurement services for Levi Strauss & Co.

Just as some private-sector companies do well and some do poorly, government departments run the full range, he said. The outreach program to small- and disabled-veteran business owners is one of the best he's come in contact with, Butler said.

At one time it took up to six months for a small business to get certified as a vendor. Even before Butler came aboard, that had been cut to about 20 minutes.

"They reduced the processing time by well over 90 percent. That's the kind of thing that the businesses should look at us to do, to make it easy to do business with the state," he said.

A pair of local small-business owners gave the state good marks. Steve Silva, owner of **Merit Janitorial Supply Co.** in Sacramento, has been doing business with the state for more than a decade.

"There are a lot of steps to go through in the bidding process, but overall I don't see them being that much tougher than the general public," Silva said. "It's still worth doing."

Over the years, though, he's seen changes in the way the state operates.

"They do bargain harder. I think I have seen that for sure. I would say purchase orders come through much quicker now," he said.

Nick Ures, owner of Floor Covering Installers Inc. in Sacramento, said he's selective about bidding for work. His company has done some California Highway Patrol offices and has a contract now at the Department of Transportation. His only

irritation, he said, is with one aspect of the requirement to get a certain percentage of materials through businesses owned by disabled veterans.

“We bought our rubber base from this guy. He buys it from the same place I would have bought it, and we have to pay him an extra fee,” Ures said. Although Ures appreciates the fact that the program helps a disabled veteran make a living, he said the added cost amounts to a tax.

“It would be different if you were hiring the guy and he could sell it to us at the same price we could buy it for,” Ures said.

Butler has his own peeves about some aspects of state procurement.

“There is a lot of risk-aversion here. You see it in the way we do contracts,” he said, referring to adding layers of oversight, and oversight of the overseers. “It’s based on the assumption that you can somehow avoid all risk.”

In some ways, the practice only shifts the cost of risk-taking to the front end of the deal, he said. “This becomes pretty onerous, especially for large IT contracts.”

A lot of time could be saved if elements of procurement could be run in parallel instead of sequentially, he said.

“I know that it’s not unusual for procurement to last into years here when the actual work time lasts only a few months,” he said.

Reforming a bureaucracy isn’t easy, he acknowledged.

I know previous directors at DGS have worked on this. I don’t want to minimize the accomplishments of people who came before me. Some initiatives get bogged down under their own weight,” Butler said.

But change doesn’t need 100 percent buy-in either, he added. By his estimate there’s always 20 percent who will buy in, 20 percent who won’t and 60 percent who want to wait and see. If he can get the enthusiastic 20 percent behind him, he expects the 60 percent to join in.

That’s the plan, at least.

“It’s easy to talk about that,” Butler said. “We’re going to have to prove it.”